# WORKING CAPITAL FUND

FY 2004 Third Quarter Report: Summary

## I. Relation of Earnings to Expenses

Each business is expected to achieve a balance between annual 'earnings' (billings to customers pursuant to Board-approved pricing policies) and 'expenses' (accrued contractual costs adjusted for depreciation, inventory changes, and related business-type costs). Quarterly analyses are intended primarily to identify emerging annual issues that may warrant changes in Board pricing policies.

| WORKING CAPITAL FUND | | | |
|---|---|---|---|
| **FY 2004 Third Quarter Cumulative Business Results** (in Millions) | | | |
| **TABLE I** | | | |
| **Business Line** | **Third Quarter Earnings** | **Third Quarter Business Expenses** | **Third Quarter Net** |
| Supplies | $2.0 | $2.1 | $0.0 |
| Mail | $1.8 | $1.4 | $0.4 |
| Copying | $1.7 | $1.8 | -$0.1 |
| Printing/Graphics | $2.3 | $2.2 | $0.1 |
| Building Occupancy | $46.6 | $47.6 | -$1.0 |
| Telephones | $6.3 | $5.7 | $0.6 |
| Desktop | $0.7 | $0.8 | $0.0 |
| Network | $4.4 | $4.2 | $0.3 |
| Procurement Services | $0.6 | $0.5 | $0.1 |
| Payroll Processing | $1.6 | $1.7 | -$0.2 |
| CHRIS | $1.6 | $1.3 | $0.3 |
| Corp Training Services | $0.3 | $0.3 | $0.0 |
| PMCDP | $1.9 | $1.0 | $0.9 |
| **TOTAL** [1] | **$71.8** | **$70.6** | **$1.3** |

The Fund has earned $1.3 million (1.8%) on $71.5 M in earnings through the third quarter of FY 2004. Specific differences in excess of $50,000 are as follows:

- The Mail Business Line had cumulative net earnings of $366,407, resulting from reduced contractual costs for mail distribution and deferred spending on the purchase of security

1 When converting from whole dollars to tens of millions total amounts do not always add due to rounding.

equipment.

- The Copy Business Line had cumulative net earnings of -$71,332 in the third quarter, resulting from declining use of central copiers and extraordinary expenses related to equipment, offset in part by net earnings from the new digitization segment. These results are an improvement over the situation that has been reported for several quarters. The business plans on acquiring new equipment in September 2004 that will allow it to break even. No price increases are being sought at this time.

- The Building Business Line had cumulative net earnings of -$1,062,214 in the third quarter that are the result of spending for building capital improvements that were earned in prior fiscal years.

- The Telephone Business Line had cumulative net earnings of $589,649 in the third quarter that result from prior year accrual adjustments related to FTS 2001.

- The Network Business Line had cumulative net earnings of $291,276 in the third quarter that result from DOEnet cost savings and a prior year cost adjustment.

- Procurement Services Business Line had cumulative net earnings of $54,086 in the third quarter, reflecting a shift toward higher-value instruments closed out, as discussed in the mid-year review.

- The Payroll Business Line had cumulative net negative earnings of $164,462 in the third quarter that result from extraordinary expenses levied by the CIO for hosting services.

- The CHRIS Business Line had cumulative net earnings of $312,372 in the third quarter that result from deferred equipment purchases.

- The PMCDP Business Line had cumulative net earnings of $923,853 in the third quarter that result from the effects of the continuing resolution and delays in setting criteria for the various levels of certification for project managers.

Both earnings and expenses reported above have been adjusted from the DISCAS accounting to present the Fund's net earnings with the most accurate and latest information. In the case of Mail, Payroll CHRIS, Corporate Training Services, and PMCDP earnings have been adjusted down to reflect annual collections that should be reported in 25% increments each quarter. Telephone results have been adjusted to offset the reverse billing for August/September usage billed in October/November. Costs for Telephone have been adjusted down $200 k for excess accruals. Costs for Network have been adjusted up $75 k for missing accruals.

These adjustments seem justified during interim reporting in the fiscal year, because our emphasis is on providing the Board with the most accurate reporting and estimates of annual performance. At year-end, we rely on DISCAS data alone for the Annual Report.

## II. Relation of Customer Payments to Anticipated Customer Billings

- Obligation authority for Fund businesses is derived from customer advance payments for services. The Board has adopted procedures calling for customers to make full-year advance payments into the Fund.

- By March, we had collected $106.4, or over 100% of the estimated FY 2004 annual revenues (Table II).

| **WORKING CAPITAL FUND** | | | |
|---|---|---|---|
| **FY 2004 Third Quarter Business Results (in Millions)** | | | |
| **TABLE II** | | | |
| **Business Line** | **Advances as of Third Quarter** [2] | **Anticipated Full Year**[3] | **% Collected** |
| Supplies | $ 2.4 | $2.7 | 87% |
| Mail | $ 3.3 | $2.5 | 132% |
| Copying | $ 2.6 | $2.2 | 117% |
| Printing/Graphics | $ 3.5 | $3.1 | 115% |
| Building Occupancy | $ 62.7 | $62.3 | 101% |
| Telephones | $ 10.2 | $8.2 | 124% |
| Desktop | $ 1.3 | $1.0 | 137% |
| Network | $ 6.8 | $5.9 | 114% |
| Procurement Services | $ 1.2 | $1.3 | 97% |
| Payroll Processing | $ 4.8 | $2.1 | 222% |
| CHRIS | $ 2.5 | $2.2 | 116% |
| Corp Training | $ 1.1 | $0.4 | 275% |
| PMCDP | $ 3.6 | $2.5 | 144% |
| **TOTAL** | **$ 106.0** | **$ 96.4** | 111% |

2 Customer advances include prior year customer advances. (see Table III).

3 Based on Table III of the July 8, 2004 memorandum explaining the bill for June 2004.

## III. Relation of Payments to Obligations by Business Line

- There have been no violations of administrative control of funds procedures by WCF business lines.

- As shown in Table III, funds available exceeded obligations by an estimated $36 million by the end of the third quarter.

| **WORKING CAPITAL FUND** | | | | | |
|---|---|---|---|---|---|
| **FY 2004 Third Quarter Business Results (in Millions)** | | | | | |
| **TABLE III** | | | | | |
| **Business Line** | **Unobligated Balance [4] 10/02** | **Current Year Customer Advances** | **Total available for obligation** | **Third Quarter Obligations** | **Advances Remaining to be Obligated** |
| Supplies | $0.4 | $2.0 | $ 2.4 | $0.0 | $2.4 |
| Mail | $0.4 | $2.8 | $ 3.2 | $1.6 | $1.6 |
| Copying | $0.2 | $2.4 | $ 2.6 | $1.6 | $1.0 |
| Printing/Graphics | $0.6 | $2.9 | $ 3.5 | $2.3 | $1.2 |
| Building Occupancy | $10.2 | $52.5 | $ 62.7 | $47.7 | $15.0 |
| Telephones | $0.8 | $9.4 | $ 10.2 | $6.5 | $3.7 |
| Desktop | $0.7 | $0.7 | $ 1.4 | $0.7 | $0.7 |
| Network | $0.6 | $6.2 | $ 6.8 | $4.5 | $2.3 |
| Procurement Services | $0.3 | $0.9 | $ 1.2 | $0.3 | $0.9 |
| Payroll Processing | $0.2 | $4.5 | $ 4.7 | $1.3 | $3.4 |
| CHRIS | $0.2 | $2.3 | $ 2.5 | $1.7 | $0.8 |
| Corp Training Services | $0.1 | $1.0 | $ 1.1 | $0.5 | $0.6 |
| PMCDP | $0.0 | $2.5 | $ 3.6 | $0.9 | $2.7 |
| **TOTAL** | **$14.8** | **$91.2** | **$ 106.0** | **$69.6** | **$36.4** |

4 The unobligated balances are made up of earned and unearned customer advances from the prior fiscal year. These funds often act as working capital during the early weeks of a new fiscal year. Unearned balances of $10.3 million represent a liability of the fund and like other unearned customer advances, are uncommitted and can be returned to the customer at their request. There are also $0.4 million of unearned advances, which are not allocated to businesses.

## IV. Changes in Budget Estimates by Business Line and Customer

- The $4.0 million increase in the December 2003 estimate for FY 2004 was the result of adding new business segments to the Telephone business line ($1.7 million) and responding to Congressional report language that added the Project Managers Career Development Program ($2.5 million), offset by reduced copy requirements (-$0.3 million). Otherwise the FY 2004 billing estimates are closely aligned with prior estimates.

| **FY 2004 Budget Estimates for WCF Businesses** | | |
|---|---|---|
| Date | Process | FY 2004 Billing Estimate ($Millions) |
| May 2002 | FY 2004 Corporate Review | $93.7 |
| December 2002 | FY 2004 Congressional Budget | $94.3 |
| May 2003 | FY 2005 Corporate Review | $92.7 |
| December 2003 | FY 2005 Congressional Budget | $96.7 |
| March 2004 | March WCF Billing Statement | $96.4 |
| June 2004 | June WCF Billing Statement | $96.5 |

## V. Anticipated Need to Change Pricing Policies or Make Substantial Changes in Operating Levels.

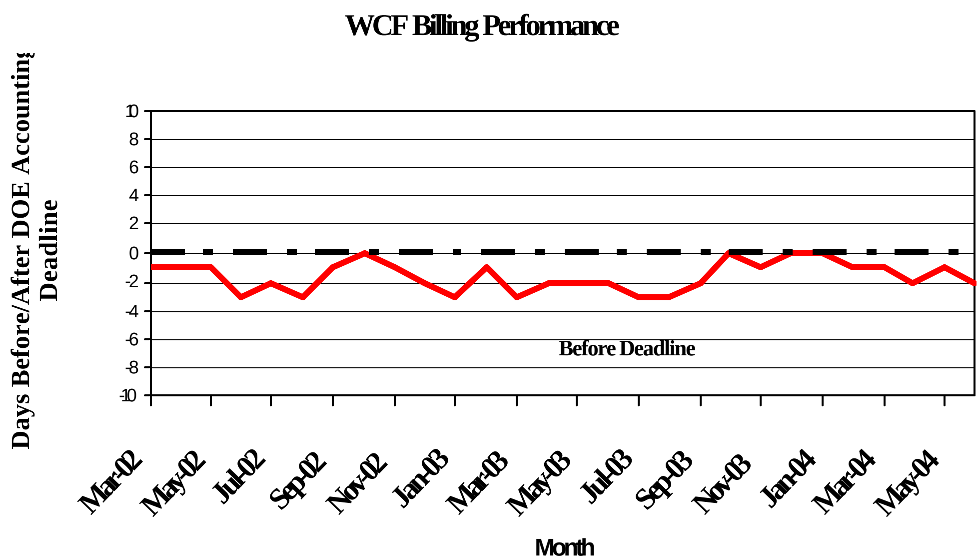
- The Fund Manager foresees no immediate need to change pricing policies in any businesses. However, the Network business is analyzing, with the advice of the WCF IT Working Group, the need to increase rates in FY 2006 to accommodate capital requirements.

- Based on developments in the Purchase Card Surveillance segment of the Procurement Services business line, the Fund Manager expects to reduce the FY 2004 billing for this activity by 50%.

## VI. Financial Management Systems Progress
## Working Capital Fund Billing System

- The WCF billing system continued to successfully produce timely and accurate monthly bills. The chart below indicates the billing performance related to transferring customer-billing information to DISCAS by the third working day of the month (down from fifth working day last year). This allows the Fund staff, with the cooperation of CFO officials, to have the billings entered into DISCAS each month before the accounts are closed. A minus two (-2) indicates that billing was forwarded two days before the deadline. This standard provides customers with costs reported in DISCAS in the same month they occur. The time between the end of the month and the issuance of the bill is extremely consistent. Process improvements that would result in timesaving are no longer meaningful.

- The Fund Manager recently completed upgrading the billing system to automate and enhance customer reporting. It is our assessment that the system is stable and has the flexibility to accept changes as needed. We intend to solicit ideas from our customer and business working groups for the next generation of enhancements. A complete description of the billing system may be found on our web site at http://www.wcf.doe.gov/ , under "Guide to Services," and then "Monthly Billing Process."




## VII. Performance Review

- Business Lines report that they are accomplishing goals and performance objectives for FY 2004 consistent with annual projections in recent five-year plans. We have every expectation to meet performance standards at the end of FY 2004.